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Macroeconomic policy questions: international financial system and development

Report of the Second Committee*

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I. Introduction

1. The Second Committee held a substantive debate on agenda item 17 (see A/66/438, para. 2). Action on sub-item (b) was taken at the 21st, 37th, 38th and 39th meetings, on 24 October and 1, 2 and 6 December 2011. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/66/SR.21, 37, 38 and 39).

II. Consideration of proposals

A. Draft resolutions A/C.2/66/L.5 and A/C.2/66/L.69

2. At the 21st meeting, on 24 October, the representative of Argentina, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "International financial system and development" (A/C.2/66/L.5), which read:

> "*The General Assembly*,
>
> "*Recalling* its resolutions 55/186 of 20 December 2000 and 56/181 of 21 December 2001, both entitled 'Towards a strengthened and stable international financial architecture responsive to the priorities of growth and development, especially in developing countries, and to the promotion of economic and social equity', as well as its resolutions 57/241 of 20 December 2002, 58/202 of 23 December 2003, 59/222 of 22 December 2004, 60/186 of

* The report of the Committee on this item is being issued in five parts, under the symbol A/66/438 and Add.1-4.

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22 December 2005, 61/187 of 20 December 2006, 62/185 of 19 December 2007, 63/205 of 19 December 2008, 64/190 of 21 December 2009 and 65/143 of 20 December 2010,

"*Recalling also* the United Nations Millennium Declaration and its resolution 56/210 B of 9 July 2002, in which it endorsed the Monterrey Consensus of the International Conference on Financing for Development, the Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha from 29 November to 2 December 2008, the Rio Declaration on Environment and Development, Agenda 21, the Programme for the further Implementation of Agenda 21, the Johannesburg Declaration on Sustainable Development and the Plan of Implementation of the World Summit on Sustainable Development ('Johannesburg Plan of Implementation'),

"*Recalling further* the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome document,

"*Recalling* the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals and its outcome document,

"*Recognizing* the work undertaken by the Ad Hoc Open-ended Working Group of the General Assembly to follow up on the issues contained in the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development, and taking note of its progress report,

"*Expressing deep concern* over the adverse impact of the ongoing world financial and economic crisis on developing countries, which highlighted long-standing systemic fragilities and inequalities, and stressing that the recovery has been threatened by new circumstances, including turbulence in the global financial markets and widespread fiscal strains, and that the systemic problems facing the global economy have to be resolved, including through the full accomplishment of the reform of the global financial system and architecture,

"*Concerned* that excessive volatility in commodity prices has led to food insecurity and is further contributing to increased poverty in developing countries,

"*Recognizing* that the world economy is entering a dangerous new phase characterized by unresolved structural fragilities, sharply falling confidence and high risk, and that, as a result, the global financial system faces more challenges than at any time since the 2008 financial crisis,

"*Expressing concern* that the financialization of and excessive speculation in commodity markets, especially in agricultural products, lead to pressures on food security which contribute further to increasing poverty in developing countries, especially the least developed countries,

"*Emphasizing* the urgent need for the United Nations to assume a central and proactive role in global economic governance and reiterating the need to strengthen the leadership role of the United Nations in promoting development,

"*Reiterating* that the international financial system should support sustained, inclusive and equitable economic growth, sustainable development, and hunger and poverty eradication efforts in developing countries,

"*Recognizing* that the international trade and finance architecture should be supportive of and responsive to the special needs and priorities of least developed countries, together with enhanced coordination and coherence among the different policy areas of the international development architecture, including official development assistance, trade, foreign direct investment, debt and finance, taking also into account new and emerging challenges,

"*Stressing* the importance of commitment to ensuring sound domestic financial sectors, which make a vital contribution to national development efforts, as an important component of an international financial architecture that is supportive of development,

"*Recognizing* the continued importance of good governance along with national ownership of policies and strategies, and recalling the commitment to promoting effective and efficient economic and financial institutions at all levels, which are key determinants of long-term, sustainable and inclusive economic growth and development, as well as to accelerating the collective recovery from the crisis, including through improved transparency, eradication of corruption and strengthened governance,

"*Stressing* that good governance at the international level is fundamental for achieving sustainable development, reiterating in this regard the importance of promoting global economic governance by addressing the international finance, trade, technology and investment patterns that have an impact on the development prospects of developing countries in order to ensure a dynamic and enabling international economic environment, and reiterating also that, to this effect, the international community should take all necessary and appropriate measures, including ensuring support for structural and macroeconomic reform, finding a comprehensive solution to the external debt problem and increasing the market access of developing countries,

"*Reiterating its call* for the predictable and timely disbursement of multilateral resources and official development assistance and for putting an end to the ongoing procyclical conditionalities that curtail the available financial options for developing countries and needlessly exacerbate the financial, economic and developmental challenges faced by those countries,

"1. *Takes note* of the report of the Secretary-General;

"2. *Recognizes* the urgent need to enhance the coherence, governance and consistency of the international monetary, financial and trading systems and the importance of ensuring their openness, fairness and inclusiveness in order to complement national development efforts to ensure sustained economic growth and the achievement of the internationally agreed development goals, including the Millennium Development Goals;

"3. *Expresses serious alarm* over the substantial increase in the financial stability risks of many developed economies, and in particular their high structural fragilities in financing sovereign debt created as a result of transferring private risk to the public sector, and calls for urgent and coherent

solutions to reduce sovereign risk in developed economies to prevent contagion and to mitigate its impact on the international financial system;

"4. *Notes* the important efforts undertaken nationally, regionally and internationally to respond to the challenges posed by the financial and economic crisis, and recognizes that more needs to be done in order to ensure a full return to growth with full and productive employment and quality jobs, to reform and strengthen financial systems, to create strong, sustained and balanced global growth and to ensure sustainable development;

"5. *Stresses* the urgent need for the United Nations to assume a central and proactive role in international economic issues, and in this regard resolves to further strengthen the role of the United Nations in economic and financial affairs, including in relation to the reform and effective functioning of the international financial and economic system and architecture;

"6. *Recalls*, in this regard, the resolve to strengthen the coordination of the United Nations system and multilateral financial, trade and development institutions so as to support economic growth, poverty eradication and sustainable development worldwide;

"7. *Stresses* the vital need for ambitious and expeditious reform of the Bretton Woods institutions, particularly their governance structures, based on the full and fair representation of developing countries, in order to address the democratic deficit in those institutions and improve their legitimacy, and that these reforms must reflect current realities and ensure the full voice and participation of developing countries;

"8. *Also stresses* that developing countries must have the necessary policy space for pursuing tailored and targeted responses to the crisis in accordance with their development needs and priorities, and calls for a reformed lending and financing paradigm, including the establishment of new credit facilities, as necessary, and a prompt end to conditionalities that curtail the individualized options available to developing countries and needlessly exacerbate the financial, economic and developmental challenges faced by those countries, and within this context, while noting steps taken by the International Monetary Fund in this regard, recognizes that new and ongoing programmes still contain conditionalities and that the reformed lending and financing paradigm of the international financial institutions, with the full and fair representation of developing countries, must move forward with flexible, concessional, conditionality-free, fast-disbursing and front-loaded instruments designed to substantially and quickly assist developing countries facing financing gaps;

"9. *Underscores* that developing countries facing a shortage of foreign exchange because of the fallout from the crisis should not be denied the right to use temporary capital account measures and debt standstills in order to mitigate the adverse impacts of the crisis on the economy, jobs and incomes, including increased poverty;

"10. *Reaffirms* the need to continue to broaden and strengthen the participation of developing countries in international economic decision-making and norm-setting, and reaffirms the need to meaningfully reform the

governance of the Bretton Woods institutions in order to deliver more effective, credible, accountable and legitimate institutions;

"11. *Stresses* that governance reform is crucial to the legitimacy and effectiveness of the International Monetary Fund, and in this regard reiterates that the heads and senior leadership of the international financial institutions, particularly the Bretton Woods institutions, should be appointed through open, transparent and merit-based selection processes, with due regard to gender equality and geographical and regional representation;

"12. *Notes* that allocations of special drawing rights have contributed to increased global liquidity, and encourages continued discussions on policy options to promote long-term stability and the proper functioning of the international monetary system, including the potential role of special drawing rights and the complementary role of various regional arrangements therein, and requests the Secretary-General to take this into account in preparing his report on the implementation of the present resolution;

"13. *Recognizes* that effective, inclusive multilateral surveillance should be at the centre of crisis prevention efforts, and stresses the need to continue strengthening surveillance of economic policies of countries with major financial centres with a view to mitigating their impact on developing countries, particularly through international interest rates, exchange rates and capital flows, including private and public financing in developing countries;

"14. *Invites* the international financial and banking institutions to continue enhancing the transparency of risk-rating mechanisms, noting that sovereign risk assessments made by the private sector should maximize the use of strict, objective and transparent parameters, which can be facilitated by high-quality data and analysis, and encourages relevant development institutions, including the United Nations Conference on Trade and Development, to continue their work on the issue, including its potential impact on the development prospects of developing countries;

"15. *Calls upon* the multilateral, regional and subregional development banks and development funds to continue to play a vital role in serving the development needs of developing countries and countries with economies in transition, including through coordinated action, as appropriate, stresses that strengthened regional development banks and subregional financial institutions can add flexible financial support to national and regional development efforts, thus enhancing their ownership and overall efficiency, and in this regard welcomes recent capital increases at multilateral and regional development banks and, in addition, encourages efforts to ensure that subregional development banks are adequately funded;

"16. *Encourages* enhanced regional and subregional cooperation, including through regional and subregional development banks, commercial and reserve currency arrangements and other regional and subregional initiatives;

"17. *Stresses* the need to continuously improve standards of corporate and public sector governance, including those related to accounting, auditing and measures to ensure transparency, noting the disruptive effects of inadequate policies;

"18. *Requests* the Secretary-General to submit to the General Assembly at its sixty-seventh session a report on the implementation of the present resolution, to be prepared in cooperation with the Bretton Woods institutions and other relevant stakeholders;

"19. *Decides* to include in the provisional agenda of its sixty-seventh session, under the item entitled 'Macroeconomic policy questions', the sub-item entitled 'International financial system and development'."

3. At its 37th meeting, on 1 December, the Committee had before it a draft resolution entitled "International financial system and development" (A/C.2/66/L.69), submitted by the Vice-Chair of the Committee, Denis Zdorov (Belarus), on the basis of informal consultations held on draft resolution A/C.2/66/L.5.

4. At the same meeting, upon the proposal of the Chair, the Committee agreed to waive rule 120 of the rules of procedure of the General Assembly and proceed to act on draft resolution A/C.2/66/L.69.

5. Also at the same meeting, the Committee was informed that draft resolution A/C.2/66/L.69 had no programme budget implications.

6. Also at its 37th meeting, the Committee adopted draft resolution A/C.2/66/L.69 (see para. 18, draft resolution I).

7. In the light of the adoption of draft resolution A/C.2/66/L.69, draft resolution A/C.2/66/L.5 was withdrawn by its sponsors.

B. Draft resolutions A/C.2/66/L.7 and A/C.2/66/L.72

8. At the 21st meeting, on 24 October, the representative of Argentina, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "Excessive international financial market speculation and extreme price volatility of food and related commodity markets" (A/C.2/66/L.7), which read:

"*The General Assembly*,

"*Recalling* the Universal Declaration of Human Rights, which provides that everyone has the right to a standard of living adequate for her or his health and well-being, including food, the Universal Declaration on the Eradication of Hunger and Malnutrition and the United Nations Millennium Declaration, in particular Millennium Development Goal 1 on eradicating extreme poverty and hunger by 2015,

"*Bearing in mind* the Rome Declaration on World Food Security and the World Food Summit Plan of Action and the Declaration of the World Food Summit: five years later, adopted in Rome on 13 June 2002,

"*Recalling* its resolution 56/210 B of 9 July 2002, in which it endorsed the Monterrey Consensus of the International Conference on Financing for Development, and recalling also the Plan of Implementation of the World Summit on Sustainable Development ('Johannesburg Plan of Implementation'),

"*Recalling further* the Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus,

"*Recalling* the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development,

"*Taking note with appreciation* of the work undertaken by the Food and Agriculture Organization of the United Nations, including the Committee on World Food Security, and by the United Nations Conference on Trade and Development, particularly its recent work on the financialization of commodity markets,

"*Recognizing* the need to support a comprehensive and coordinated response in order to address the multiple and complex causes of the global food crisis, including excessive volatility of food commodity prices,

"*Emphasizing* that the financial and economic crisis has demonstrated the need for more effective government involvement so as to ensure an appropriate balance between the market and the public interest, and recognizes the need to better regulate financial markets,

"*Deeply concerned* by the recent extreme volatility of commodity prices and subsequent busts and by the fact that many commodity-dependent developing countries and economies in transition continue to be highly vulnerable to excessive price fluctuations, and recognizing the need to improve the regulation, functioning, and transparency of financial and commodity markets in order to address excessive commodity price volatility,

"*Reiterating* that the international financial system should support sustained, inclusive and equitable economic growth, sustainable development, and hunger and poverty eradication efforts in developing countries, while allowing for the coherent mobilization of all sources of financing for development,

"*Recognizing* the importance of an enabling international and national environment for the agriculture sector of developing countries and the creation of a more level playing field in agriculture in accordance with the mandate from the Doha Development Agenda of the World Trade Organization,

"*Taking note* of the report of the Secretary-General on Implementation of the Second United Nations Decade for the Eradication of Poverty (2008-2017), in which the Secretary-General states that surging food prices and global food insecurity are sparking concerns again over increased poverty and hunger, noting that, since poor people spend large shares of their income on food, even short-lived price increases can have a significant impact on their income levels, and that therefore poverty tends to increase when food prices rise,

"*Taking note also* of the report of the Secretary-General on agriculture development and food security: progress on the implementation of the outcome of the World Summit on Food Security, in which the Secretary-General states that the financialization of commodity markets has increased significantly since about 2004, as reflected in rising volumes of financial investments in commodity derivatives markets and that that phenomenon is a serious concern because the activities of financial participants tend to drive

commodity prices away from levels justified by market fundamentals, with negative effects both on producers and consumers,

"1. *Welcomes* the initiative of Mr. Leonel Fernández Reyna, President of the Dominican Republic, towards reaching an international consensus that aims to reduce excessive price volatility and speculation in commodity markets;

"2. *Stresses* the need to discourage market-distorting financial speculation on food commodities, inter alia, through adequate regulatory systems for financial commodity markets and improved transparency and oversight mechanisms;

"3. *Requests* the President of the General Assembly at its sixty-sixth session, to establish a special open-ended working group to promote an exchange of views and present recommendations by the end of the sixty-sixth session towards reducing excessive price volatility and speculation in food commodity markets, including derivatives such as futures and over-the-counter transactions, taking into account relevant work done at national, regional and international levels, including efforts undertaken by the specialized agencies of the United Nations;

"4. *Requests* the United Nations Conference on Trade and Development, the Food and Agriculture Organization of the United Nations, the United Nations Development Programme and the regional economic commissions, in collaboration with relevant international organizations, to continue their research and analysis on this matter and submit a joint report, including a compilation of existing research, with recommendations to the working group, within three months of the adoption of the present resolution;

"5. *Recognizes* the importance of considering, in this exercise, the needs of developing countries;

"6. *Stresses* that, in addressing excessive price volatility and speculation in food commodity markets, special attention should be given to the need of net-food-importing developing countries to achieve food security;

"7. *Requests* the Secretary-General to submit to the General Assembly at its sixty-seventh session a report on the implementation of the present resolution;

"8. *Decides* to include in the provisional agenda of its sixty-seventh session under the item entitled 'Macroeconomic policy questions' a sub-item entitled 'Excessive international financial market speculation and extreme price volatility of food and related commodity markets'."

9. At its 38th meeting, on 2 December, the Committee had before it a draft resolution entitled "Addressing excessive price volatility in food and related financial and commodity markets" (A/C.2/66/L.72), submitted by the Vice-Chair of the Committee, Denis Zdorov (Belarus), on the basis of informal consultations held on draft resolution A/C.2/66/L.7.

10. At the same meeting, upon the proposal of the Chair, the Committee agreed to waive rule 120 of the rules of procedure of the General Assembly and proceed to act on draft resolution A/C.2/66/L.72.

11. Also at the same meeting, the Committee was informed that draft resolution A/C.2/66/L.72 had no programme budget implications.

12. Also at the 38th meeting, the Vice-Chair of the Committee, Philippe Donckel (Luxembourg), orally corrected the eleventh preambular paragraph of the draft resolution as follows:

(a) The words "outcome of the World Summit on Food Security, in which the Secretary-General, inter alia, highlights" were replaced by the words "outcome of the World Summit on Food Security, which, inter alia, highlights";

(b) The words "and the fact that that phenomenon is a serious concern because the activities of financial participants tend to drive commodity prices away from levels justified by market fundamentals, with negative effects both on producers and on consumers" were deleted at the end of the paragraph.

13. At its 38th meeting, the Committee adopted draft resolution A/C.2/66/L.72, as orally corrected (see para. 18, draft resolution II).

14. After the adoption of the draft resolution, statements were made by the representatives of the Dominican Republic and the United States of America (see A/C.2/66/SR.38).

15. In the light of the adoption of draft resolution A/C.2/66/L.72, draft resolution A/C.2/66/L.7 was withdrawn by its sponsors.

16. At its 39th meeting, on 6 December, the Committee was informed that, subsequent to the adoption of draft resolution A/C.2/66/L.72, the Secretariat had received a statement of programme budget implications of the draft resolution.

17. At the same meeting, the Secretary of the Committee read out a statement of the programme budget implications of draft resolution A/C.2/66/L.72.

III. Recommendations of the Second Committee

18. The Second Committee recommends to the General Assembly the adoption of the following draft resolutions:

Draft resolution I
International financial system and development

The General Assembly,

Recalling its resolutions 55/186 of 20 December 2000 and 56/181 of 21 December 2001, both entitled "Towards a strengthened and stable international financial architecture responsive to the priorities of growth and development, especially in developing countries, and to the promotion of economic and social equity", as well as its resolutions 57/241 of 20 December 2002, 58/202 of 23 December 2003, 59/222 of 22 December 2004, 60/186 of 22 December 2005, 61/187 of 20 December 2006, 62/185 of 19 December 2007, 63/205 of 19 December 2008, 64/190 of 21 December 2009 and 65/143 of 20 December 2010,

Recalling also the United Nations Millennium Declaration[1] and its resolution 56/210 B of 9 July 2002, in which it endorsed the Monterrey Consensus of the International Conference on Financing for Development,[2] the Rio Declaration on Environment and Development,[3] Agenda 21,[4] the Programme for the Further Implementation of Agenda 21[5] and the Plan of Implementation of the World Summit on Sustainable Development ("Johannesburg Plan of Implementation"),[6]

Recalling further the Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha from 29 November to 2 December 2008,[7]

Recalling the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome document,[8]

Recalling also the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals and its outcome document,[9]

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[1] See resolution 55/2.

[2] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[3] *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992*, vol. I, *Resolutions Adopted by the Conference* (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution 1, annex I.

[4] Ibid., annex II.

[5] Resolution S-19/2, annex.

[6] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

[7] Resolution 63/239, annex.

[8] Resolution 63/303, annex.

[9] See resolution 65/1.

Recognizing the work undertaken by the Ad Hoc Open-ended Working Group of the General Assembly to follow up on the issues contained in the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development, and taking note of its progress report,[10]

Expressing deep concern about the ongoing adverse impacts, particularly on development, of the world financial and economic crisis, cognizant that the global economy is entering a challenging new phase with significant downside risks, including the turbulence in global financial and commodity markets and widespread fiscal strains, which threaten the global economic recovery, and stressing the need to continue to address systemic fragilities and imbalances and the need for continuing efforts to reform and strengthen the international financial system,

Noting that, while some developing countries have been the main contributors to recent global economic growth, the economic crisis has reduced their capacity to withstand further shocks, recalling the commitments made to support strong, sustainable, balanced and inclusive growth, and reaffirming the need to work cooperatively to meet development commitments to achieve the Millennium Development Goals by 2015,

Reaffirming the purposes of the United Nations, as set forth in its Charter, including to achieve international cooperation in solving international problems of an economic, social, cultural or humanitarian character and to be a centre for harmonizing the actions of nations in the attainment of common ends, and reiterating the need to strengthen the leadership role of the United Nations in promoting development,

Reiterating that the international financial system should support sustained, inclusive and equitable economic growth, sustainable development, and hunger and poverty eradication efforts in developing countries, while allowing for the coherent mobilization of all sources of financing for development,

Recalling the Fourth United Nations Conference on the Least Developed Countries and the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-2020,[11] and recognizing, in this context, that the international financial system should be supportive, as appropriate, of the special needs and priorities of the least developed countries,

Stressing the importance of commitment to ensuring sound domestic financial sectors, which make a vital contribution to national development efforts, as an important component of an international financial architecture that is supportive of development,

1. *Takes note* of the report of the Secretary-General;[12]

2. *Recognizes* the need to continue to enhance the coherence and consistency of the international monetary, financial and trading systems and the importance of ensuring their openness, fairness and inclusiveness in order to complement national development efforts to ensure sustained, inclusive and equitable economic growth and the achievement of the internationally agreed development goals, including the Millennium Development Goals;

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[10] A/64/884.

[11] *Report of the Fourth United Nations Conference on the Least Developed Countries, Istanbul, Turkey, 9-13 May 2011* (United Nations publication, Sales No. 11.II.A.1), chap. II.

[12] A/66/167.

3. *Stresses* the need to act decisively to tackle the challenges confronting the global economy in order to ensure balanced, sustainable, inclusive and equitable global growth with full and productive employment and quality jobs;

4. *Notes*, in this regard, the important efforts undertaken nationally, regionally and internationally to respond to the challenges posed by the financial and economic crisis, including the efforts to reinforce the banking sector by increasing its transparency and accountability;

5. *Also notes* that the United Nations, on the basis of its universal membership and legitimacy, provides a unique and key forum for discussing international economic issues and their impact on development, and reaffirms that the United Nations is well positioned to participate in various reform processes aimed at improving and strengthening the effective functioning of the international financial system and architecture, while recognizing that the United Nations and the international financial institutions have complementary mandates which make the coordination of their actions crucial;

6. *Recalls*, in this regard, the resolve to strengthen the coordination of the United Nations system and multilateral financial, trade and development institutions so as to support economic growth, poverty eradication and sustainable development worldwide, on the basis of a clear understanding of and respect for their mandates and governance structures;

7. *Also recalls* that countries must have the flexibility necessary to implement countercyclical measures and to pursue tailored and targeted responses to the crisis, and calls for conditionalities to be streamlined to ensure that they are timely, tailored and targeted and that they support developing countries in the face of financial, economic and development challenges;

8. *Further recalls*, in this regard, the improvement of the lending framework of the International Monetary Fund through, inter alia, streamlined conditions and the creation of more flexible instruments, such as a precautionary and liquidity line, while also noting that new and ongoing programmes should not contain unwarranted procyclical conditionalities;

9. *Recognizes* the role of private capital flows in mobilizing financing for development, stresses the challenges posed by excessive short-term capital inflows to many developing countries, encourages further review of the benefits and disadvantages of macroprudential measures available to mitigate the impact of volatile capital flows, and requests the Secretary-General to take this into account in preparing his report on the implementation of the present resolution;

10. *Notes* that countries can seek to negotiate, as a last resort, on a case-by-case basis and through existing frameworks, agreements on temporary debt standstills between debtors and creditors in order to help to mitigate the adverse impacts of the crisis and to stabilize macroeconomic developments;

11. *Reaffirms* the importance of broadening and strengthening the participation of developing countries in international economic decision-making and norm-setting, and in this regard takes note of recent important decisions on reform of the governance structures, quotas and voting rights of the Bretton Woods institutions, better reflecting current realities and enhancing the voice and participation of developing countries, and reiterates the importance of the reform of the governance of those institutions in order to deliver more effective, credible, accountable and legitimate institutions;

12. *Notes*, in this regard, the decisions taken by the World Bank Group on voice and participation and further institutional reforms to meet new challenges, and the addition of the twenty-fifth Chair to the Boards of Executive Directors of the World Bank Group, and looks forward to progress in its institutional reforms, calls for the swift implementation of the 2010 quota and governance reform of the International Monetary Fund, and reiterates the importance of an open, transparent and merit-based process for selecting the heads of the International Monetary Fund and other international financial institutions;

13. *Recognizes* the role of special drawing rights as an international reserve asset, and acknowledges that recent special drawing rights allocations helped to supplement international reserves in response to the world financial and economic crisis, thus contributing to the stability of the international financial system and global economic resilience;

14. *Reiterates* that effective, inclusive multilateral surveillance should be at the centre of crisis prevention efforts, and stresses the need to continue strengthening surveillance of economic policies of countries;

15. *Invites* the international financial and banking institutions to continue enhancing the transparency of risk-rating mechanisms, noting that sovereign risk assessments made by the private sector should maximize the use of strict, objective and transparent parameters, which can be facilitated by high-quality data and analysis, and encourages relevant institutions, including the United Nations Conference on Trade and Development, to continue their work on the issue, including its potential impact on the development prospects of developing countries;

16. *Calls upon* the multilateral, regional and subregional development banks and development funds to continue to play a vital role in serving the development needs of developing countries and countries with economies in transition, including through coordinated action, as appropriate, stresses that strengthened regional development banks and subregional financial institutions can add flexible financial support to national and regional development efforts, thus enhancing their ownership and overall efficiency, and in this regard welcomes recent capital increases at multilateral and regional development banks and, in addition, encourages efforts to ensure that subregional development banks are adequately funded;

17. *Encourages* enhanced regional and subregional cooperation, including through regional and subregional development banks, commercial and reserve currency arrangements and other regional and subregional initiatives;

18. *Stresses* the need to continuously improve standards of corporate and public sector governance, including those related to accounting, auditing and measures to ensure transparency, noting the disruptive effects of inadequate policies;

19. *Requests* the Secretary-General to submit to the General Assembly at its sixty-seventh session a report on the implementation of the present resolution, to be prepared in cooperation with the Bretton Woods institutions and other relevant stakeholders;

20. *Decides* to include in the provisional agenda of its sixty-seventh session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "International financial system and development".

Draft resolution II
Addressing excessive price volatility in food and related financial and commodity markets

The General Assembly,

Recalling the Universal Declaration of Human Rights, which provides that everyone has the right to a standard of living adequate for her or his health and well-being, including food, the Universal Declaration on the Eradication of Hunger and Malnutrition[1] and the United Nations Millennium Declaration,[2] in particular Millennium Development Goal 1 on eradicating extreme poverty and hunger by 2015,

Bearing in mind the Rome Declaration on World Food Security and the World Food Summit Plan of Action[3] and the Declaration[4] of the World Summit on Food Security, held from 16 to 18 November 2009,

Recalling its resolution 56/210 B of 9 July 2002, in which it endorsed the Monterrey Consensus of the International Conference on Financing for Development,[5] and recalling also the Plan of Implementation of the World Summit on Sustainable Development ("Johannesburg Plan of Implementation"),[6]

Recalling also the Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus,[7]

Recalling further the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome document,[8]

Taking note of the work undertaken by the Food and Agriculture Organization of the United Nations, including the Committee on World Food Security, and by the United Nations Conference on Trade and Development, particularly its recent work on the financialization of commodity markets,

Taking note also of recent initiatives that aim to help Governments, firms and farmers to mitigate and build capacity to manage the risks associated with excessive food price volatility, in particular in the poorest countries,

Recognizing the need to support a comprehensive and coordinated response in order to address the multiple and complex causes of excessive price volatility of food and related commodities in financial markets,

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[1] *Report of the World Food Conference, Rome, 5-16 November 1974* (United Nations publication, Sales No. E.75.II.A.3), chap. I.

[2] See resolution 55/2.

[3] Food and Agriculture Organization of the United Nations, *Report of the World Food Summit, 13-17 November 1996* (WFS 96/REP), part one, appendix.

[4] Food and Agriculture Organization of the United Nations, document WSFS 2009/2.

[5] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[6] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

[7] Resolution 63/239, annex.

[8] Resolution 63/303, annex.

Deeply concerned by excessive volatility of commodity prices and by the impact that excessive price volatility has on food security and sustainable development in developing countries, and, in particular, by the fact that many commodity-dependent developing countries and economies in transition continue to be highly vulnerable to excessive price fluctuations, and recognizing the need to improve the adequate regulation, functioning and transparency of financial and commodity markets in order to address excessive commodity price volatility,

Reiterating that the international financial system should support sustained, inclusive and equitable economic growth, sustainable development, and hunger and poverty eradication efforts in developing countries, while allowing for the coherent mobilization of all sources of financing for development,

Taking note of the report of the Secretary-General on agriculture development and food security: progress on the implementation of the outcome of the World Summit on Food Security, which inter alia, highlights the significant increase in the financialization of commodity markets since about 2004, as reflected in rising volumes of financial investments in commodity derivatives markets,[9]

Taking note also of the policy report entitled "Price Volatility in Food and Agricultural Markets: Policy Responses",[10] issued on 2 June 2011 by the Food and Agriculture Organization of the United Nations, the International Fund for Agricultural Development, the International Monetary Fund, the Organization for Economic Cooperation and Development, the United Nations Conference on Trade and Development, the World Food Programme, the World Bank, the World Trade Organization, the International Food Policy Research Institute and the High-level Task Force on the Global Food Security Crisis,

1. *Recognizes* the initiative of Mr. Leonel Fernández Reyna, President of the Dominican Republic, "Towards Reaching an International Consensus that Aims to Reduce Excessive Price Volatility and Speculation in Commodity Markets";

2. *Stresses* the need to take active measures to reduce excessive food price volatility, while acknowledging that there is an incomplete understanding of its causes and that more research needs to be done, and in this regard underlines the need to promote greater transparency and market information at all levels;

3. *Underlines* the importance of timely, accurate and transparent information in helping to address excessive food price volatility, and in this regard takes note of the Agricultural Market Information System hosted by the Food and Agriculture Organization of the United Nations, and urges the participating international organizations, private-sector actors and Governments to ensure the public dissemination of timely and quality food market information products;

4. *Requests* the President of the General Assembly at the sixty-sixth session to convene a high-level thematic debate, to be held in plenary meeting, with the participation of Member States, independent experts and other stakeholders, to promote an exchange of views on addressing excessive price volatility in food and

[9] A/66/277, para. 10.

[10] "Price Volatility in Food and Agricultural Markets: Policy Responses", coordinated by the Food and Agriculture Organization of the United Nations and the Organization for Economic Cooperation and Development as a joint report to the Group of Twenty (G-20) (2 June 2011).

related financial and commodity markets, while taking into account relevant work done at the national, regional and international levels;

5. *Invites* all relevant United Nations agencies and other international organizations, in particular the Food and Agriculture Organization of the United Nations and the United Nations Conference on Trade and Development, as well as other relevant United Nations agencies and international organizations, to participate actively in the high-level thematic debate and to continue their research and analysis on this matter;

6. *Recognizes* the importance of considering, in this dialogue, the needs of developing countries, and stresses that special attention should be given to the needs of net-food-importing developing countries in addressing excessive price volatility in food and related financial and commodity markets to achieve their food security;

7. *Requests* the Secretary-General to consider the outcomes of the high-level thematic debate in relevant reports to be submitted under the item entitled "Macroeconomic policy questions" and other relevant agenda items.

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Macroeconomic policy questions: external debt sustainability and development

Report of the Second Committee*

Rapporteur: Mr. Raymond **Landveld** (Suriname)

I. Introduction

1. The Second Committee held a substantive debate on agenda item 17 (see A/66/438, para. 2). Action on sub-item (c) was taken at the 21st and 38th meetings, on 24 October and 2 December 2011. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/66/SR.21 and 38).

II. Consideration of draft resolutions A/C.2/66/L.9 and A/C.2/66/L.73

2. At the 21st meeting, on 24 October, the representative of Argentina, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "External debt sustainability and development" (A/C.2/66/L.9), which read:

"*The General Assembly*,

"*Recalling* its resolutions 58/203 of 23 December 2003, 59/223 of 22 December 2004, 60/187 of 22 December 2005, 61/188 of 20 December 2006, 62/186 of 19 December 2007, 63/206 of 19 December 2008, 64/191 of 21 December 2009 and 65/144 of 20 December 2010,

"*Recalling also* the United Nations Millennium Declaration, adopted on 8 September 2000,

"*Recalling further* the 2005 World Summit Outcome,

* The report of the Committee on this item is being issued in five parts, under the symbol A/66/438 and Add.1-4.

Please recycle

"*Recalling* the International Conference on Financing for Development and its outcome document and the Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus,

"*Recalling also* the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome document,

"*Recalling further* the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals and its outcome document,

"*Recalling* its resolution 57/270 B of 23 June 2003,

"*Recalling also* its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and the other internationally agreed development goals,

"*Recalling further* the Fourth United Nations Conference on the Least Developed Countries and its outcome document,

"*Emphasizing* that debt sustainability is essential for underpinning growth, underlining the importance of debt sustainability and effective debt management to the efforts to achieve national development goals, including the Millennium Development Goals, and acknowledging that sovereign debt crises tend to be costly and disruptive, including for employment and productive investment, and tend to be followed by cuts in public spending, including on health and education, affecting in particular the poor and vulnerable,

"*Reaffirming* that each country has primary responsibility for its own development and that the role of national policies and development strategies, including in the area of debt management, cannot be overemphasized for the achievement of sustainable development, and recognizing that national efforts, including to achieve development goals and to maintain debt sustainability, should be complemented by supportive global programmes, measures and policies aimed at expanding the development opportunities of developing countries, while taking into account national conditions and ensuring respect for national ownership, strategies and sovereignty,

"*Reaffirming also* that multilateral institutions, including entities within the United Nations system and other relevant organizations, should continue to play an important role, given their respective mandates, in assisting countries in achieving and maintaining debt sustainability,

"*Reiterating* that debt sustainability depends on a confluence of many factors at the international and national levels, and emphasizing that country-specific circumstances and the impact of external shocks, such as those derived from the world financial and economic crisis, should continue to be taken into account in debt sustainability analyses,

"*Expressing deep concern* over the adverse impact of the ongoing world financial and economic crisis on developing countries, which highlighted long-standing systemic fragilities and inequalities, stressing that the recovery has been threatened by new circumstances, including turbulence in the global financial markets and widespread fiscal strains, and that the systemic problems

facing the global economy have to be resolved, including through the full accomplishment of the reform of the global financial system and architecture, recognizing that any new shock or even a slow recovery will have negative effects on debt sustainability, and confirming that unsustainable debt is a global problem,

"*Recognizing* the importance of efforts undertaken at the national, regional and international levels in response to the challenges posed by the ongoing world financial and economic crisis faced by many developing countries, and acknowledging that the impacts on development of the crisis continue, entail the possibility of undermining the progress made towards achieving the internationally agreed development goals, including the Millennium Development Goals, and threaten debt sustainability in developing countries through, inter alia, the consequences on the real economy and government revenue and the need to increase borrowing to mitigate the negative impacts of the crisis,

"*Recognizing also* the important role on a case-by-case basis of debt relief, including debt cancellation and debt restructuring, as debt crisis prevention and management tools for mitigating the impact of the world financial and economic crisis in developing countries,

"*Recognizing further* the role of private capital flows in mobilizing financing for development, expressing concern about the risks posed by excessive short-term private capital inflows to many developing countries, including to their debt sustainability, and encouraging further review of the benefits and disadvantages of capital controls and the macroprudential measures available to mitigate the impact of volatile capital flows with a view to limiting unproductive large capital flows which may lead to future currency crises,

"*Expressing concern* that some low-income and least developed countries are facing increased challenges in servicing their debt,

"*Noting with appreciation* that the Heavily Indebted Poor Countries Initiative, the Multilateral Debt Relief Initiative and bilateral donors have provided substantial debt relief to thirty-two countries that have reached the completion point under the Heavily Indebted Poor Countries Initiative, which has considerably reduced their debt vulnerability and enabled them to increase their investments in social services, while acknowledging with concern that some post-completion point countries remain classified as being at high risk of debt distress and need to avoid rebuilding unsustainable debt burdens,

"*Convinced* that enhanced market access for goods and services of export interest to developing countries contributes significantly to debt sustainability in those countries,

"1. *Takes note* of the report of the Secretary-General;

"2. *Emphasizes* the special importance of a timely, effective, comprehensive and durable solution to the debt problems of developing countries in order to promote their economic growth and development;

"3. *Stresses* the importance of responsible lending and borrowing, emphasizes that creditors and debtors must share responsibility for preventing unsustainable debt situations, and encourages Member States, the Bretton

Woods institutions, the regional development banks and other relevant multilateral financial institutions and stakeholders to pursue the ongoing discussions, inter alia, within the framework of the initiative of the United Nations Conference on Trade and Development to promote responsible sovereign lending and borrowing, taking into account additional work being undertaken on this issue;

"4. *Recognizes* the need for capacity-building, in particular of borrowers, for them to be able to conduct their own debt sustainability analyses in order to generate legitimate borrowing and lending decisions to help maintain sustainable levels of debt, acknowledges the role played by the Debt Sustainability Framework for low-income countries, jointly developed by the International Monetary Fund and the World Bank, to guide borrowing and lending decisions, and calls for a review of the Framework, with the full engagement of borrower Governments, in an open and transparent manner;

"5. *Reiterates* that no single indicator should be used to make definitive judgements about a country's debt sustainability, and, in this regard, while acknowledging the need to use transparent and comparable indicators, invites the International Monetary Fund and the World Bank, in their assessment of debt sustainability, to continue to take into account the fundamental changes caused by, inter alia, natural disasters, conflicts and changes in global growth prospects or in the terms of trade, especially for commodity-dependent developing countries, as well as by the impact of developments in financial markets, and to provide information on this issue to Member States, with a view to identifying their structural weaknesses;

"6. *Recognizes* that the long-term sustainability of debt depends on, inter alia, economic growth, mobilization of domestic resources, increased grants and concessional sources of development financing, access to export markets, responsible debt management, sound macroeconomic policies, transparent and effective regulatory frameworks, technical assistance to strengthen debt management capacities in developing countries, success in overcoming structural development problems, and hence, on the creation of an enabling international environment that is conducive to development;

"7. *Also recognizes* the enormity, the persistence and the multidimensional nature of the world financial and economic crisis, which caused a sharp deterioration of the debt ratios in many countries, recognizes the risks posed to the debt sustainability associated with slower or negative global economic growth and the euro zone debt crisis, calls for collective action to stem their impact on developing countries through different channels so as to reduce the risk of relapsing into another debt crisis, takes note in this regard of the additional resources made available during and since the crisis through the International Monetary Fund and the multilateral development banks, and calls for additional and continued provision of concessional and grant-based financing to low-income countries and developing countries in risk of debt distress to enable them to respond to the consequences of the crisis;

"8. *Further recognizes* the roles of the United Nations and the international financial institutions in accordance with their respective mandates, and encourages them to continue to support global efforts towards

sustained, inclusive and equitable growth, sustainable development and the external debt sustainability of developing countries, including through continued monitoring of global financial flows and their implications in this regard;

"9. *Emphasizes* the need for coordinated policies aimed at fostering debt financing, debt relief and debt restructuring, reaffirms that new and ongoing programmes of the International Monetary Fund should not contain unwarranted procyclical conditionalities, calls for the continued review of the new lending facilities, and urges the multilateral development banks to move forward on flexible, concessional, fast-disbursing and front-loaded assistance that will substantially and quickly assist developing countries facing financing gaps in their efforts to achieve the Millennium Development Goals, taking into consideration the individual absorptive capacities and debt sustainability of those countries;

"10. *Notes* the provision by the International Monetary Fund of interest relief to low-income countries in the form of zero-interest payments on financing from concessional lending facilities until the end of 2011, and encourages the Fund to consider extending its concessional loan facilities for low-income countries beyond 2011;

"11. *Also notes* that developing countries can seek to negotiate, as a last resort, on a case-by-case basis and through existing frameworks, agreements on temporary debt standstills between debtors and creditors in order to help mitigate the adverse impacts of the crisis and stabilize macroeconomic developments;

"12. *Further notes* the progress made under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative, while expressing concern that some countries have yet to reach decision or completion points, calls for the full and timely implementation of those Initiatives and for continued support to the remaining eligible countries in completing the Heavily Indebted Poor Countries Initiative process, and encourages all parties, both creditors and debtors, to fulfil their commitments as rapidly as possible in order to complete the debt relief process;

"13. *Calls for* the review of the implementation and the impact of debt relief initiatives to better understand why countries did not maintain sustainable debt levels, and further calls for the design of clear and predictable strategies to address the persisting debt problems of developing countries post-Heavily Indebted Poor Countries Initiative, including for developing countries facing unsustainable debt burdens which have not benefited from debt relief under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative;

"14. *Underlines* the fact that heavily indebted poor countries eligible for debt relief will not be able to enjoy its full benefits unless all creditors, both public and private, contribute their fair share and become involved in the international debt resolution mechanisms to ensure the debt sustainability of those countries, invites creditors, both private and public, that are not yet fully participating in debt relief initiatives to substantially increase their participation, including through providing comparable treatment to the extent possible to debtor countries that have concluded sustainable debt relief agreements with

creditors, and invites the international financing institutions and the donor community to continue to provide adequate and sufficiently concessional financing;

"15. *Stresses* that debt relief can play a key role in liberating resources that should be directed towards activities consistent with poverty eradication, sustained economic growth, economic development and the internationally agreed development goals, including the Millennium Development Goals, and in this regard urges countries to direct the resources freed through debt relief, in particular through debt cancellation and reduction, towards those objectives, according to their national priorities and strategies;

"16. *Encourages* donor countries to take steps to ensure that resources provided for debt relief under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative do not detract from official development assistance resources intended to be available for developing countries;

"17. *Notes with concern* that some low- and middle-income developing countries that are not included in existing debt relief initiatives may have large debt burdens that may create constraints on mobilizing the resources needed to achieve the internationally agreed development goals, including the Millennium Development Goals, which confirms the need to extend the sunset clause to make it applicable for those countries or to design new debt relief initiatives for them on a case-by-case basis;

"18. *Encourages* the Paris Club, in dealing with the debt of low- and middle-income debtor countries that are not part of the Heavily Indebted Poor Countries Initiative, to take into account their medium-term debt sustainability in addition to their financing gaps, and notes with appreciation the Evian approach of the Paris Club in providing different terms of debt relief in order to respond to the specific needs of debtor countries while preserving debt cancellation for heavily indebted poor countries;

"19. *Stresses* the need to significantly address the debt problems of middle-income developing countries, and in this regard, while stressing the importance of the Evian approach of the Paris Club as a practical means of addressing bilateral official debt, encourages the consideration of medium- and long-term sustainability as well as new approaches to deal with non-Paris Club debt;

"20. *Also stresses* the need for the international community to remain vigilant in monitoring the debt situation of the least developed countries and to continue to take effective measures, preferably within existing frameworks, to address the debt problem of those countries, including through the cancellation of the multilateral and bilateral debt owed by least developed countries to creditors, both public and private, and also to provide specific debt relief measures for least developed countries which are not heavily indebted poor countries, on a case-by-case basis;

"21. *Welcomes* the efforts of and calls upon the international community to provide flexibility, and stresses the need to continue those efforts in helping post-conflict developing countries, especially those that are heavily indebted and poor, to achieve initial reconstruction for economic and social development;

"22. *Also welcomes* the efforts of and invites creditors to provide flexibility to developing countries affected by natural disasters so as to allow them to address their debt concerns, while taking into account their specific situations and needs;

"23. *Calls for* the consideration of additional measures and initiatives aimed at ensuring long-term debt sustainability through increased grant-based and other forms of concessional financing, the cancellation of 100 per cent of the eligible official multilateral and bilateral debt of heavily indebted poor countries and, where appropriate and on a case-by-case basis, significant debt relief or restructuring for developing countries with an unsustainable debt burden that are not part of the Heavily Indebted Poor Countries Initiative;

"24. *Invites* donor countries, taking into account country-specific debt sustainability analyses, to continue their efforts to increase bilateral grants to developing countries, which could contribute to debt sustainability in the medium to long term, and recognizes the need for countries to be able to promote employment and productive investment and to invest in, inter alia, health and education while maintaining debt sustainability;

"25. *Calls for* the intensification of efforts to prevent and mitigate the prevalence and cost of debt crises by enhancing international financial mechanisms for crisis prevention and resolution, encourages the private sector to cooperate in this regard, and invites creditors and debtors to further explore, where appropriate and on a mutually agreed, transparent and case-by-case basis, the use of new and improved debt instruments and innovative mechanisms such as debt swaps, including debt for equity in Millennium Development Goal projects, as well as debt indexation instruments;

"26. *Also calls for* the consideration of enhanced approaches to sovereign debt restructuring and debt resolution mechanisms, with the broad participation of creditors and debtors, the comparable treatment of all creditors and an important role for the Bretton Woods institutions and other relevant organizations within the United Nations system, and in this regard calls upon all countries to promote and contribute to the discussions, including within the United Nations and other appropriate forums, on the need for and feasibility of a more structured framework for international cooperation in this area;

"27. *Further calls for* the establishment of a United Nations working group with the participation of all relevant stakeholders, including the multilateral financial institutions, to examine options for enhanced approaches to debt restructuring and resolution mechanisms that take into account the multiple dimensions of debt sustainability;

"28. *Notes* the changing composition of the sovereign debt of some countries, which has shifted increasingly from official to commercial borrowing and from external to domestic public debt, although for most low-income countries external finance is still largely official, also notes that the levels of domestic debt and the significantly increased number of creditors, both official and private, could create other challenges for macroeconomic management and public debt sustainability, and stresses the need to address the implications of these changes, including through improved data collection and analysis;

"29. *Recognizes* concerns about vulture fund litigation, and in this regard also recognizes that debtor countries experience difficulties in obtaining comparable treatment from other creditors, as required by the standard clause included in Paris Club agreements;

"30. *Stresses* the need to increase information-sharing, transparency and the use of objective criteria in the construction and evaluation of debt scenarios, including an assessment of domestic public and private debt, in order to ensure the achievement of development goals, recognizes that credit-rating agencies play a significant role in the provision of information, including the assessment of corporate and sovereign risks, and may encourage countries to pursue policies focused on short-term concerns of portfolio investors rather than in their long-term development needs, and in this regard requests the Secretary-General to conduct a special multi-stakeholders consultation on credit-rating agencies with a view to improving their modelling risk and to continue to monitor and report upon the oversight of credit-rating agencies when preparing his report on the implementation of the present resolution;

"31. *Invites* the international community to continue efforts to increase support, including financial and technical assistance, for institutional capacity-building in developing countries to enhance sustainable debt management as an integral part of national development strategies, including by promoting transparent and accountable debt management systems and negotiation and renegotiation capacities and through supporting legal advice in relation to tackling external debt litigation and debt data reconciliation between creditors and debtors so that debt sustainability may be achieved and maintained;

"32. *Also invites* the United Nations Conference on Trade and Development, the International Monetary Fund and the World Bank, in cooperation with the regional commissions, regional development banks and other relevant multilateral financial institutions and stakeholders, to continue and intensify cooperation in respect of capacity-building activities in developing countries in the area of debt management and debt sustainability;

"33. *Encourages* further improvement of the mutual exchange of information, on a voluntary basis, on borrowing and lending among all creditors and borrowers;

"34. *Acknowledges* that timely and comprehensive data on the level and composition of debt are a condition necessary for, inter alia, building early warning systems aimed at limiting the impact of debt crises, calls for debtor and creditor countries to intensify their efforts to collect data, and calls for donors to consider increasing their support for technical cooperation programmes aimed at increasing the statistical capacity of developing countries in that regard;

"35. *Calls upon* all Member States and the United Nations system, and invites the Bretton Woods institutions and the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those related to the question of the external debt sustainability of developing countries;

"36. *Requests* the Secretary-General to submit to the General Assembly at its sixty-seventh session a report on the implementation of the present resolution and to include in that report a comprehensive and substantive analysis of the external debt situation of developing countries;

"37. *Decides* to include in the provisional agenda of its sixty-seventh session, under the item entitled 'Macroeconomic policy questions', the sub-item entitled 'External debt sustainability and development'."

3. At its 38th meeting, on 2 December, the Committee had before it a draft resolution entitled "External debt sustainability and development" (A/C.2/66/L.73), submitted by the Vice-Chair of the Committee, Denis Zdorov (Belarus), on the basis of informal consultations held on draft resolution A/C.2/69/L.9.

4. At the same meeting, upon the proposal of the Chair, the Committee agreed to waive rule 120 of the rules of procedure of the General Assembly and proceed to act on draft resolution A/C.2/66/L.73.

5. Also at the same meeting, the Committee was informed that draft resolution A/C.2/66/L.73 had no programme budget implications.

6. Also at its 38th meeting, the Committee adopted draft resolution A/C.2/66/L.73 (see para. 8).

7. In the light of the adoption of draft resolution A/C.2/66/L.73, draft resolution A/C.2/66/L.9 was withdrawn by its sponsors.

III. Recommendation of the Second Committee

8. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

External debt sustainability and development

The General Assembly,

Recalling its resolutions 58/203 of 23 December 2003, 59/223 of 22 December 2004, 60/187 of 22 December 2005, 61/188 of 20 December 2006, 62/186 of 19 December 2007, 63/206 of 19 December 2008, 64/191 of 21 December 2009 and 65/144 of 20 December 2010,

Recalling also the United Nations Millennium Declaration, adopted on 8 September 2000,[1]

Recalling further the 2005 World Summit Outcome,[2]

Recalling the International Conference on Financing for Development and its outcome document[3] and the Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus,[4]

Recalling also the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome document,[5]

Recalling further the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals and its outcome document,[6]

Recalling the Fourth United Nations Conference on the Least Developed Countries and the Istanbul Political Declaration and Programme of Action for the Least Developed Countries for the Decade 2011-2020,[7]

Recalling also its resolution 57/270 B of 23 June 2003,

Recalling further its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and the other internationally agreed development goals,

Emphasizing that debt sustainability is essential for underpinning growth, underlining the importance of debt sustainability and effective debt management to the efforts to achieve national development goals, including the Millennium Development Goals, and acknowledging that sovereign debt crises tend to be costly and disruptive, including for employment and productive investment, and tend to be

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[1] See resolution 55/2.

[2] See resolution 60/1.

[3] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[4] Resolution 63/239, annex.

[5] Resolution 63/303, annex.

[6] See resolution 65/1.

[7] *Report of the Fourth United Nations Conference on the Least Developed Countries, Istanbul, Turkey, 9-13 May 2011* (United Nations publication, Sales No. 11.II.A.1), chaps. I and II.

followed by cuts in public spending, including on health and education, affecting in particular the poor and vulnerable,

Reaffirming that each country has primary responsibility for its own development and that the role of national policies and development strategies, including in the area of debt management, cannot be overemphasized for the achievement of sustainable development, and recognizing that national efforts, including to achieve development goals and to maintain debt sustainability, should be complemented by supportive global programmes, measures and policies aimed at expanding the development opportunities of developing countries, while taking into account national conditions and ensuring respect for national ownership, strategies and sovereignty,

Reaffirming also that multilateral institutions, including entities within the United Nations system and other relevant organizations, should continue to play an important role, given their respective mandates, in assisting countries in achieving and maintaining debt sustainability,

Reiterating that debt sustainability depends on a confluence of many factors at the international and national levels, and emphasizing that country-specific circumstances and the impact of external shocks, such as those derived from the world financial and economic crisis, should continue to be taken into account in debt sustainability analyses,

Expressing deep concern about the ongoing adverse impacts, particularly on development, of the world financial and economic crisis, cognizant that the global economy is entering a challenging new phase with significant downside risks, including turbulence in global financial and commodity markets and widespread fiscal strains, which threaten the global economic recovery, and stressing the need to continue to address systemic fragilities and imbalances and the need for continuing efforts to reform and strengthen the international financial system,

Recognizing the importance of efforts undertaken at the national, regional and international levels in response to the challenges posed by the world financial and economic crisis, and acknowledging that the impacts of the crisis on development continue, entail the possibility of undermining the progress made towards achieving the internationally agreed development goals, including the Millennium Development Goals, and threaten debt sustainability in many countries, especially developing countries, through, inter alia, the consequences on the real economy and government revenue and the increase in borrowing to mitigate the negative impacts of the crisis,

Recognizing also the important role, on a case-by-case basis, of debt relief, including debt cancellation, as appropriate, and debt restructuring as debt crisis prevention and management tools for mitigating the impact of the world financial and economic crisis in developing countries,

Recognizing further the role of private capital flows in mobilizing financing for development, stressing the challenges posed by excessive short-term capital inflows to many developing countries, including to their debt sustainability, and encouraging further review of the benefits and disadvantages of the macroprudential measures available to mitigate the impact of volatile capital flows,

Expressing concern that some low-income countries face increased challenges in servicing their debt,

Expressing deep concern that in spite of international efforts, many least developed countries still struggle with a high debt burden,

Noting with appreciation that the Heavily Indebted Poor Countries Initiative, the Multilateral Debt Relief Initiative and bilateral donors have provided substantial debt relief to thirty-two countries that have reached the completion point under the Heavily Indebted Poor Countries Initiative, which has considerably reduced their debt vulnerability and enabled them to increase their investments in social services, while acknowledging with concern that some post-completion point countries remain classified as being at high risk of debt distress and need to avoid rebuilding unsustainable debt burdens,

Convinced that enhanced market access for goods and services of export interest to developing countries contributes significantly to debt sustainability in those countries,

1. *Takes note* of the report of the Secretary-General;[8]

2. *Emphasizes* the special importance of a timely, effective, comprehensive and durable solution to the debt problems of developing countries in order to promote their economic growth and development;

3. *Stresses* the importance of responsible lending and borrowing, emphasizes that creditors and debtors must share responsibility for preventing unsustainable debt situations, and encourages Member States, the Bretton Woods institutions, the regional development banks and other relevant multilateral financial institutions and stakeholders to continue the ongoing discussions on this issue, inter alia, within the framework of the initiative of the United Nations Conference on Trade and Development to promote responsible sovereign lending and borrowing;

4. *Acknowledges* the role played by the Debt Sustainability Framework for low-income countries, jointly developed by the International Monetary Fund and the World Bank, to guide borrowing and lending decisions, and encourages continued review of the Framework, with the full engagement of borrower Governments, in an open and transparent manner;

5. *Reiterates* that no single indicator should be used to make definitive judgements about a country's debt sustainability, and, in this regard, while acknowledging the need to use transparent and comparable indicators, invites the International Monetary Fund and the World Bank, in their assessment of debt sustainability, to continue to take into account a country's structural weaknesses and the fundamental changes caused by, inter alia, natural disasters, conflicts and changes in global growth prospects or in the terms of trade, especially for commodity-dependent developing countries, as well as by the impact of developments in financial markets, and to provide information on this issue to Member States, using the appropriate frameworks;

6. *Recognizes* that the long-term sustainability of debt depends on, inter alia, economic growth, mobilization of domestic and international resources, export prospects of debtor countries, responsible debt management, sound macroeconomic

[8] A/66/164.

policies, transparent and effective regulatory frameworks and success in overcoming structural development problems, and hence on the creation of an enabling international environment that is conducive to development;

7. *Also recognizes* the enormity and the multidimensional nature of the world financial and economic crisis, which caused a sharp deterioration of the debt ratios in several developing countries, stresses the need to continue to assist developing countries in avoiding a build-up of unsustainable debt so as to reduce the risk of relapsing into another debt crisis, takes note in this regard of the additional resources made available during and since the crisis through the International Monetary Fund and the multilateral development banks, and calls for the continued provision of concessional and grant-based financing to low-income countries to enable them to respond to the consequences of the crisis;

8. *Further recognizes* the roles of the United Nations and the international financial institutions in accordance with their respective mandates, and encourages them to continue to support global efforts towards sustained, inclusive and equitable growth, sustainable development and the external debt sustainability of developing countries, including through continued monitoring of global financial flows and their implications in this regard;

9. *Emphasizes* the need for coordinated policies aimed at fostering debt financing, debt relief and debt restructuring, recalls, in this regard, the improvement of the lending framework of the International Monetary Fund through, inter alia, streamlined conditions and the creation of more flexible instruments, such as a precautionary and liquidity line, while noting that new and ongoing programmes should not contain unwarranted procyclical conditionalities, and urges the multilateral development banks to continue to move forward on flexible, concessional, fast-disbursing and front-loaded assistance that will substantially and quickly assist developing countries facing financing gaps in their efforts to achieve the Millennium Development Goals, taking into consideration the individual absorptive capacities and debt sustainability of those countries;

10. *Notes* the provision by the International Monetary Fund of interest relief to low-income countries in the form of zero-interest payments on financing from concessional lending facilities until the end of 2011, and invites the Fund to consider extending its concessional loan facilities for low-income countries for the post-2011 period;

11. *Also notes* that countries can seek to negotiate, as a last resort, on a case-by-case basis and through existing frameworks, agreements on temporary debt standstills between debtors and creditors in order to help mitigate the adverse impacts of the crisis and stabilize macroeconomic developments;

12. *Further notes* the progress made under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative, while expressing concern that some countries have yet to reach decision or completion points, calls for the full and timely implementation of those Initiatives and for continued support to the remaining eligible countries in completing the Heavily Indebted Poor Countries Initiative process, and encourages all parties, both creditors and debtors, to fulfil their commitments as rapidly as possible in order to complete the debt relief process;

13. *Welcomes and encourages* the efforts of the heavily indebted poor countries, calls upon them to continue to strengthen their domestic policies to promote economic growth and poverty eradication through, inter alia, the creation of a domestic environment conducive to private-sector development, a stable macroeconomic framework and transparent and accountable systems of public finance, and invites the international financing institutions and the donor community to continue to provide adequate and sufficiently concessional financing;

14. *Encourages* the international financial institutions to review the implementation and the impact of debt relief initiatives to better understand why some countries still face persisting debt problems after completion of the Heavily Indebted Poor Countries Initiative, and calls for the consideration of strategies to address them;

15. *Underlines* the fact that heavily indebted poor countries eligible for debt relief will not be able to enjoy its full benefits unless all creditors, both public and private, contribute their fair share and become involved in the international debt resolution mechanisms to ensure the debt sustainability of those countries, invites creditors, both private and public, that are not yet fully participating in debt relief initiatives to substantially increase their participation, including through providing comparable treatment to the extent possible to debtor countries that have concluded sustainable debt relief agreements with creditors;

16. *Stresses* that debt relief can play a key role in liberating resources that should be directed towards activities consistent with poverty eradication, sustained economic growth, economic development and the internationally agreed development goals, including the Millennium Development Goals, and in this regard urges countries to direct the resources freed through debt relief, in particular through debt cancellation and reduction, towards those objectives, according to their national priorities and strategies;

17. *Encourages* donor countries to take steps to ensure that resources provided for debt relief under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative do not detract from official development assistance resources intended to be available for developing countries;

18. *Notes with concern* that some low- and middle-income developing countries that are not part of existing debt relief initiatives may have large debt burdens that may create constraints on mobilizing the resources needed to achieve the internationally agreed development goals, including the Millennium Development Goals, indicating a possible need to consider debt relief initiatives for those countries on a case-by-case basis, and encourages the consideration of medium- and long-term sustainability as well as new approaches to deal with bilateral and private non-Paris Club debt;

19. *Encourages* the Paris Club, in dealing with the debt of low- and middle-income debtor countries that are not part of the Heavily Indebted Poor Countries Initiative, to take into account their medium-term debt sustainability in addition to their financing gaps, and notes with appreciation the Evian approach of the Paris Club in providing different terms of debt relief in order to respond to the specific needs of debtor countries while preserving debt cancellation for heavily indebted poor countries;

20. *Stresses* the need for the international community to remain vigilant in monitoring the debt situation of the least developed countries and to continue to take effective measures, preferably within existing frameworks, to address the debt problem of those countries, including through the cancellation of the multilateral and bilateral debt owed by least developed countries to creditors, both public and private;

21. *Welcomes* the efforts of and calls upon the international community to provide flexibility, and stresses the need to continue those efforts in helping post-conflict developing countries, especially those that are heavily indebted and poor, to achieve initial reconstruction for economic and social development;

22. *Also welcomes* the efforts of and invites creditors to provide flexibility to developing countries affected by natural disasters so as to allow them to address their debt concerns, while taking into account their specific situations and needs;

23. *Calls for* the consideration of additional measures and initiatives aimed at ensuring long-term debt sustainability through increased grant-based and other forms of concessional financing, the cancellation of 100 per cent of the eligible official multilateral and bilateral debt of heavily indebted poor countries and, where appropriate and on a case-by-case basis, significant debt relief or restructuring for developing countries with an unsustainable debt burden that are not part of the Heavily Indebted Poor Countries Initiative;

24. *Invites* donor countries, taking into account country-specific debt sustainability analyses, to continue their efforts to increase bilateral grants to developing countries, which could contribute to debt sustainability in the medium to long term, and recognizes the need for countries to be able to promote employment and productive investment and to invest in, inter alia, health and education while maintaining debt sustainability;

25. *Calls for* the intensification of efforts to prevent and mitigate the prevalence and cost of debt crises by enhancing international financial mechanisms for crisis prevention and resolution, encourages the private sector to cooperate in this regard, and invites creditors and debtors to further explore, where appropriate and on a mutually agreed, transparent and case-by-case basis, the use of new and improved debt instruments and innovative mechanisms such as debt swaps, including debt for equity in Millennium Development Goal projects, as well as debt indexation instruments;

26. *Also calls for* the consideration of enhanced approaches to sovereign debt restructuring and debt resolution mechanisms, based on existing frameworks and principles, with the broad participation of creditors and debtors, the comparable treatment of all creditors and an important role for the Bretton Woods institutions and other relevant organizations within the United Nations system, and in this regard calls upon all countries to promote and contribute to the discussions, within the United Nations and other appropriate forums, on the need for and feasibility of a more structured framework for international cooperation in this area;

27. *Decides* to devote one of the special events of the Second Committee during the sixty-seventh session of the General Assembly to lessons learned from debt crises and to the ongoing work on sovereign debt restructuring and debt resolution mechanisms, with the participation of all relevant stakeholders, including multilateral financial institutions;

28. *Notes* the changing composition of the sovereign debt of some countries, which has shifted increasingly from official to commercial borrowing and from external to domestic public debt, although for most low-income countries external finance is still largely official, also notes that the levels of domestic debt and the significantly increased number of creditors, both official and private, could create other challenges for macroeconomic management and public debt sustainability, and stresses the need to address the implications of these changes, including through improved data collection and analysis;

29. *Recognizes* concerns about vulture fund litigation and that some debtor countries may experience difficulties in obtaining comparable treatment from non-Paris Club creditors, as required by the standard clause included in Paris Club agreements, and encourages the continued provision by the relevant institutions of mechanisms and legal assistance to debtor countries to solve litigation issues;

30. *Stresses* the need to increase information-sharing, transparency and the use of objective criteria in the construction and evaluation of debt scenarios, including an assessment of domestic public and private debt, in order to ensure the achievement of development goals, recognizes that credit-rating agencies play a significant role in the provision of information, including the assessment of corporate and sovereign risks, and in this regard invites the President of the General Assembly at its sixty-sixth session to convene a thematic debate on the role of credit rating agencies in the international financial system and requests the Secretary-General to continue to report on this issue when preparing his report on the implementation of the present resolution;

31. *Invites* the international community to continue efforts to increase support, including financial and technical assistance, for institutional capacity-building in developing countries to enhance sustainable debt management as an integral part of national development strategies, including by promoting transparent and accountable debt management systems and negotiation and renegotiation capacities and through supporting legal advice in relation to tackling external debt litigation and debt data reconciliation between creditors and debtors so that debt sustainability may be achieved and maintained;

32. *Also invites* the United Nations Conference on Trade and Development, the International Monetary Fund and the World Bank, in cooperation with the regional commissions, regional development banks and other relevant multilateral financial institutions and stakeholders, to continue and intensify cooperation in respect of capacity-building activities in developing countries in the area of debt management and debt sustainability;

33. *Encourages* further improvement of the mutual exchange of information, on a voluntary basis, on borrowing and lending among all creditors and borrowers;

34. *Acknowledges* that timely and comprehensive data on the level and composition of debt are a condition necessary for, inter alia, building early warning systems aimed at limiting the impact of debt crises, calls for debtor and creditor countries to intensify their efforts to collect data, and calls for donors to consider increasing their support for technical cooperation programmes aimed at increasing the statistical capacity of developing countries in that regard;

35. *Calls upon* all Member States and the United Nations system, and invites the Bretton Woods institutions and the private sector, to take appropriate measures

and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those related to the question of the external debt sustainability of developing countries;

36. *Requests* the Secretary-General to submit to the General Assembly at its sixty-seventh session a report on the implementation of the present resolution and to include in that report a comprehensive and substantive analysis of the external debt situation of developing countries;

37. *Decides* to include in the provisional agenda of its sixty-seventh session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "External debt sustainability and development".

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Macroeconomic policy questions: commodities

Report of the Second Committee*

Rapporteur: Mr. Raymond **Landveld** (Suriname)

I. Introduction

1. The Second Committee held a substantive debate on agenda item 17 (see A/66/438, para. 2). Action on sub-item (d) was taken at the 34th and 38th meetings, on 10 November and 2 December 2011. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/66/SR.34 and 38).

II. Consideration of draft resolutions A/C.2/66/L.34 and A/C.2/66/L.70

2. At the 34th meeting, on 10 November 2011, the representative of Argentina, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "Commodities" (A/C.2/66/L.34), which read:

> "*The General Assembly*,
>
> "*Recalling* its resolutions 59/224 of 22 December 2004, 61/190 of 20 December 2006, 63/207 of 19 December 2008 and 64/192 of 21 December 2009 on commodities,
>
> "*Recalling also* the United Nations Millennium Declaration adopted by Heads of State and Government on 8 September 2000, the 2005 World Summit Outcome adopted on 16 September 2005 and its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit,

* The report of the Committee on this item is being issued in five parts, under the symbol A/66/438 and Add.1-4.

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including the Millennium Development Goals and the other internationally agreed development goals,

"*Recalling further* the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome,

"*Recalling* the International Conference on Financing for Development, held in Monterrey, Mexico, from 18 to 22 March 2002, and the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha from 29 November to 2 December 2008,

"*Recalling also* the Plan of Implementation of the World Summit on Sustainable Development ('Johannesburg Plan of Implementation'),

"*Recalling further* the Programme of Action for the Least Developed Countries for the Decade 2011-2020,

"*Taking note* of the Arusha Declaration and Plan of Action on African Commodities adopted at the African Union Conference of Ministers of Trade on Commodities, held in Arusha, United Republic of Tanzania, from 21 to 23 November 2005, and endorsed by the Executive Council of the African Union at its eighth ordinary session, held in Khartoum from 16 to 21 January 2006,

"*Taking note also* of the targets set out in the Rome Declaration on World Food Security and the World Food Summit Plan of Action and the Declaration of the World Food Summit: five years later, which reaffirms the pledge to end hunger and poverty,

"*Taking note further* of the Political Declaration of the High-level Meeting on Africa's Development Needs, held in New York on 22 September 2008,

"*Taking note* of the Accra Accord, adopted by the United Nations Conference on Trade and Development at its twelfth session, containing far-reaching recommendations on commodity issues, and of further decisions and agreed conclusions on commodities adopted by the Trade and Development Board and its subsidiary bodies in 2010 and 2011, including the evaluation and review of the implementation by the Conference of the Accra Accord,

"*Recognizing* that many developing countries continue to be highly dependent on primary commodities as their principal source of export revenues, employment, income generation and domestic savings, and as the driving force of investment, economic growth and social development, including poverty eradication,

"*Deeply concerned* by recent episodes of commodity price booms and subsequent busts and by the fact that many commodity-dependent developing countries and economies in transition continue to be highly vulnerable to price fluctuations, and recognizing the need to improve the regulation, functioning and transparency of financial and commodity markets in order to address excessive commodity price volatility,

"*Recognizing* the negative impact of factors such as climate change on the production of agricultural commodities, in particular in developing countries,

"*Recognizing also* that the present crisis has reinforced the need to comprehensively deal with the commodity problematique, while taking due account of the diversity of each country's individual situation and needs and the promotion of their sustainable development, and to strengthen the nexus between trade, food, finance, investment in sustainable agriculture, energy and industrialization,

"*Recognizing further* that the current economic crisis has impacted negatively on the commodity economy, as evidenced, inter alia, by the decline in demand for commodities, diminishing supply capacities owing to shrinking commodity revenues and postponement of investments, resulting in an economic slowdown in commodity-dependent economies,

"*Stressing* the importance of policies to address longer-term structural issues of the commodity economy and integrate commodity policies into wider development and poverty eradication strategies at all levels,

"*Taking note* of all relevant voluntary initiatives aimed at improving transparency in commodity markets and mitigating the impact of price volatility,

"1. *Takes note* of the note by the Secretary-General transmitting the report on world commodity trends and prospects prepared by the secretariat of the United Nations Conference on Trade and Development;

"2. *Underscores* the need for further efforts to address excessive commodity price volatility, in particular by assisting producers, especially small-scale producers, in managing risk;

"3. *Calls upon* the international community to support the efforts of commodities-dependent developing countries to address the factors that impede diversification, inter alia, structural barriers in international trade, including tariff and non-tariff escalation; limited access to finance, resulting in scarce resources for investing in the sector, which in turn can be affected by excessive commodity price volatility; weak infrastructure, particularly as regards both the cost and availability of transportation and storage; and lack of skills in producing and marketing alternative products;

"4. *Calls for*, in that regard, the early conclusion of the Doha Development Round of trade negotiations with a development-oriented outcome that ensures, inter alia, greater market access for products from developing countries;

"5. *Also calls for* a coherent set of policy actions at the national, regional and international levels to address excessive price volatility and support commodity-dependent developing countries in mitigating negative impacts, in particular by facilitating value addition and enhancing their participation in commodity and related product value chains, by supporting large-scale diversification of these economies and by encouraging the use and further development of market-oriented risk management tools;

"6. *Recognizes* the potential for innovation, productivity improvements and promotion of non-traditional exports in most commodity-dependent developing countries, particularly in Africa, and calls for enhanced support by the international community as well as exchanges of experience in these areas within the framework of South-South economic cooperation;

"7. *Calls upon* the international community to work closely with commodity-dependent economies to identify trade-related policies and instruments as well as investment and financial policies as key elements of the development strategies of those economies;

"8. *Underscores* the importance of increased investments in infrastructure as a means of promoting agricultural development and enhancing commodity diversification and trade, and urges the international community to assist commodity-dependent developing countries;

"9. *Expresses concern* over the large-scale land acquisitions by, among others, transnational corporations in developing countries that incur risk to development efforts, stresses the importance of promoting responsible international investment in agriculture, and in this regard invites the United Nations Conference on Trade and Development, in cooperation with other relevant international organizations, to continue its research and analysis on this issue;

"10. *Stresses* that technical assistance and capacity-building aimed at improving the commodity export competitiveness of producers is particularly important, especially in Africa, and invites the donor community to provide necessary resources for commodity-specific, financial and technical assistance, in particular for human and institutional capacity-building, as well as infrastructure development of developing countries, with a view to reducing their institutional bottlenecks and transaction costs and enhancing their commodity trade and development in accordance with national development plans;

"11. *Also stresses* that the Aid for Trade Initiative should aim to help developing countries, particularly least developed countries, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from World Trade Organization agreements and, more broadly, to expand their trade;

"12. *Underlines* the important contribution of the commodities sector to rural development, in particular to providing rural employment and income, and to the efforts for achieving food security;

"13. *Emphasizes* the importance of international measures and national strategies to improve the performance of the agricultural sector, including the functioning of markets and trading systems, to ensure a better supply-side response from producers, in particular small farmers, in order to incentivize them to take the risks inherent in investing in increased and diversified production;

"14. *Stresses* the importance of managing excessive price volatility, including through the development of appropriate tools at the international level;

"15. *Recalls* the agreement to keep under regular review, by the Ministerial Conference and appropriate organs of the World Trade Organization, the impact of the results of the Uruguay Round on the least developed countries as well as on the net food-importing developing countries, with a view to fostering positive measures to enable them to achieve their development objectives, and in this regard calls for the implementation of the Marrakech

Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-Importing Developing Countries;

"16. *Calls upon* developed countries that have not already done so to provide immediate, predictable, duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with the Hong Kong Ministerial Declaration of 2005, and in this regard emphasizes the need for the full, timely and effective implementation of the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-2020;

"17. *Calls upon* international financial institutions and development banks to assist developing countries, in particular commodity-dependent developing countries, in managing the effects of excessive price volatility;

"18. *Reaffirms* that every State has and shall freely exercise full permanent sovereignty over all its wealth, natural resources and economic activities;

"19. *Recognizes* the importance of increasing efficiency and effectiveness in the management of public and private sector revenues in developed and developing countries derived from all commodities and commodities-related industries, including final processed goods, in support of development;

"20. *Also recognizes* the important contributions of the Common Fund for Commodities and other international commodities organizations, and encourages them, in cooperation with the International Trade Centre UNCTAD/WTO, the United Nations Conference on Trade and Development and other relevant bodies, to continue to strengthen and study ways to establish greater stability in the commodities market as well as to enhance activities in developing countries to improve access to markets and reliability of supply, enhancing diversification and addition of value, improving the competitiveness of commodities, strengthening the market chain, improving market structures, broadening the export base and ensuring the effective participation of all stakeholders;

"21. *Stresses* that the United Nations Conference on Trade and Development and its partners, in the spirit of inter-agency cooperation and multi-stakeholder partnerships and within their respective mandates, should continue to engage actively in collaborative research and analysis of the commodity problematique and related capacity and consensus-building activities with a view to providing regular analysis and policy advice relevant to the sustainable development of commodity-dependent developing countries, particularly low-income countries;

"22. *Underscores* the urgent need for the provision of, and access to, trade finance to commodity-dependent developing countries, given the tightened access to all types of credit and noting debt sustainability;

"23. *Stresses* the importance of the continuing substantive consideration of the sub-item entitled 'Commodities', and decides to include the sub-item in the provisional agenda of its sixty-eighth session, under the item entitled 'Macroeconomic policy questions';

"24. *Requests* the Secretary-General, in collaboration with the secretariat of the United Nations Conference on Trade and Development, to submit to the

General Assembly at its sixty-eighth session a report on the implementation of the present resolution, with recommendations, and on world commodity trends and prospects, including on the causes of the excessive commodity price volatility."

3. At its 38th meeting, on 2 December, the Committee had before it a draft resolution entitled "Commodities" (A/C.2/66/L.70), submitted by the Vice-Chair of the Committee, Denis Zdorov (Belarus), on the basis of informal consultations on draft resolution A/C.2/66/L.34.

4. At the same meeting, on the proposal of the Chair, the Committee agreed to waive rule 120 of the rules of procedure of the General Assembly and proceed to take action on draft resolution A/C.2/66/L.70.

5. Also at the same meeting, the Committee was informed that draft resolution A/C.2/66/L.70 had no programme budget implications.

6. Also at its 38th meeting, the Committee adopted draft resolution A/C.2/66/L.70 (see para. 8).

7. In the light of the adoption of draft resolution A/C.2/66/L.70, draft resolution A/C.2/66/L.34 was withdrawn by its sponsors.

III. Recommendation of the Second Committee

8. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

Commodities

The General Assembly,

Recalling its resolutions 59/224 of 22 December 2004, 61/190 of 20 December 2006, 63/207 of 19 December 2008 and 64/192 of 21 December 2009 on commodities,

Recalling also the United Nations Millennium Declaration adopted by Heads of State and Government on 8 September 2000,[1] the 2005 World Summit Outcome adopted on 16 September 2005[2] and its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and the other internationally agreed development goals, and the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals and its outcome document,[3]

Recalling further the Programme of Action for the Least Developed Countries for the Decade 2011-2020,[4]

Taking note of the targets set out in the Declaration of the World Summit on Food Security, held in Rome from 16 to 18 November 2009, which reaffirms the pledge to end hunger and poverty,[5]

Recalling the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome,[6]

Recalling also the International Conference on Financing for Development, held in Monterrey, Mexico, from 18 to 22 March 2002, and the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha from 29 November to 2 December 2008,

Taking note of the Accra Accord, adopted by the United Nations Conference on Trade and Development at its twelfth session,[7] containing far-reaching recommendations on commodity issues, and of further decisions and agreed conclusions on commodities adopted by the Trade and Development Board and its subsidiary bodies in 2010 and 2011, including the evaluation and review of the implementation by the Conference of the Accra Accord, and looking forward to the thirteenth session of the United Nations Conference on Trade and Development, to be held in April 2012,

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[1] See resolution 55/2.
[2] See resolution 60/1.
[3] See resolution 65/1.
[4] *Report of the Fourth United Nations Conference on the Least Developed Countries, Istanbul, Turkey, 9-13 May 2011* (United Nations publication, Sales No. 11.II.A.1), chap. II.
[5] See Food and Agriculture Organization of the United Nations, document WSFS 2009/2.
[6] Resolution 63/303, annex.
[7] TD/442 and Corr.1, chap. II.

Taking note also of the Political Declaration of the High-level Meeting on Africa's Development Needs, held in New York on 22 September 2008,[8]

Taking note further of the Arusha Declaration and Plan of Action on African Commodities adopted at the African Union Conference of Ministers of Trade on Commodities, held in Arusha, United Republic of Tanzania, from 21 to 23 November 2005,[9] and endorsed by the Executive Council of the African Union at its eighth ordinary session, held in Khartoum from 16 to 21 January 2006,[10]

Recalling the Plan of Implementation of the World Summit on Sustainable Development ("Johannesburg Plan of Implementation"),[11]

Recognizing that many developing countries continue to be highly dependent on primary commodities as their principal source of export revenues, employment, income generation and domestic savings, and as the driving force of investment, economic growth and social development, including poverty eradication,

Taking note of the comprehensive policy report entitled "Price Volatility in Food and Agricultural Markets: Policy Responses",[12] produced by international organizations including the Food and Agriculture Organization of the United Nations, the International Fund for Agricultural Development, the International Monetary Fund, the Organization for Economic Cooperation and Development, the United Nations Conference on Trade and Development, the World Food Programme, the World Bank, the World Trade Organization, the International Food Policy Research Institute and the United Nations High-level Task Force on the Global Food Security Crisis,

Deeply concerned by episodes of commodity price booms and subsequent busts and by the fact that many commodity-dependent developing countries and economies in transition continue to be highly vulnerable to price fluctuations, and recognizing the need to improve the regulation, functioning and transparency of financial and commodity markets, which can address excessive commodity price volatility,

Recognizing the impact of factors such as climate change on the production of agricultural commodities,

Recognizing also that uncertainty in global commodity markets reinforces the need to comprehensively deal with the commodity problematique, inter alia, the demand for commodities, supply capacities, commodity revenues and investments in commodity-dependent economies, while taking due account of the diversity of each country's individual situation and needs and the promotion of their sustainable development, and to strengthen the nexus between trade, food, finance, investment in sustainable agriculture, energy and industrialization,

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[8] See resolution 63/1.

[9] African Union, document AU/Min/Com/Dec1.Rev.1.

[10] See A/60/693, annex II, decision EX.CL/Dec.253 (VIII).

[11] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

[12] "Price Volatility in Food and Agricultural Markets: Policy Responses", coordinated by the Food and Agriculture Organization of the United Nations and the Organization for Economic Cooperation and Development as a joint report to the Group of Twenty (G-20) (2 June 2011).

Stressing the importance of policies to address longer-term structural issues of the commodity economy and integrate commodity policies into wider development and poverty eradication strategies at all levels,

Taking note of all relevant voluntary initiatives aimed at improving transparency in commodity markets and mitigating the impact of excessive price volatility,

Underlining the importance of timely, accurate and transparent information in helping to address excessive food price volatility, and in this regard, taking note of the Agricultural Market Information System hosted by the Food and Agriculture Organization of the United Nations, and urging the participating international organizations, private sector actors and Governments to ensure the public dissemination of timely and quality food market information,

1. *Takes note* of the note by the Secretary-General transmitting the report on world commodity trends and prospects prepared by the secretariat of the United Nations Conference on Trade and Development;[13]

2. *Underlines* the need for further efforts to address excessive commodity price volatility, in particular by assisting producers, especially small-scale producers, in managing risk;

3. *Calls upon* the international community to support the efforts of commodity-dependent developing countries to address the factors that create structural barriers to international trade and impede, inter alia, diversification, including tariff and non-tariff barriers, limited access to financial services resulting in scarce resources for investing in the commodity sector, weak infrastructure, particularly as regards both the cost and availability of transportation and storage, and lack of skills in producing and marketing alternative products;

4. *Calls for*, in that regard, the successful conclusion of the Doha Development Round of trade negotiations with a development-oriented outcome that ensures, inter alia, greater market access for products from developing countries;

5. *Also calls for* a coherent set of policy actions at the national, regional and international levels to address excessive price volatility and support commodity-dependent developing countries in mitigating negative impacts, in particular by facilitating value addition and enhancing their participation in commodity and related product value chains, by supporting large-scale diversification of these economies and by encouraging the use and further development of market-oriented risk management, tools, instruments and strategies;

6. *Recognizes* the potential for innovation, productivity improvements and promotion of non-traditional exports in most commodity-dependent developing countries, particularly in Africa, and calls for enhanced support by the international community as well as exchanges of experience in these areas within the framework of South-South economic cooperation;

7. *Calls upon* the international community to work closely with commodity-dependent economies to identify trade-related policies and instruments as well as investment and financial policies as key elements of the development strategies of those economies;

[13] A/66/207.

8. *Underlines* the importance of increased investments in infrastructure as a means of promoting agricultural development and enhancing commodity diversification and trade, and urges the international community to assist commodity-dependent developing countries and to invest in and support research and development of agricultural productivity;

9. *Expresses concern* over the large-scale land acquisitions in developing countries by, among others, transnational corporations, that incur risk to development efforts, stresses the importance of promoting responsible international investment in agriculture, urges the Committee on World Food Security to finalize the voluntary guidelines on the responsible governance of tenure of land, fisheries and forests in the context of national food security, and invites the United Nations Conference on Trade and Development, in cooperation with other relevant international organizations, to continue its research and analysis on this issue;

10. *Stresses* that technical assistance and capacity-building aimed at improving the commodity export competitiveness of producers is particularly important, especially in Africa, and invites the donor community to provide necessary resources for commodity-specific, financial and technical assistance, in particular for human and institutional capacity-building, as well as infrastructure development of developing countries, with a view to reducing their institutional bottlenecks and transaction costs and enhancing their commodity trade and development in accordance with national development plans;

11. *Also stresses* that the Aid for Trade initiative should aim to help developing countries, particularly least developed countries, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from World Trade Organization agreements and, more broadly, to expand their trade;

12. *Underlines* the important contribution of the commodities sector to rural development, in particular to providing rural employment and income, and to the efforts for achieving food security;

13. *Emphasizes* the importance of international measures and national strategies to improve the performance of the agricultural sector, including the functioning of markets and trading systems, to ensure a better supply-side response from producers, in particular small farmers, in order to incentivize them to take the risks inherent in investing in increased and diversified production;

14. *Stresses* the importance of managing excessive price volatility, including, inter alia, through the development of appropriate non-trade-distorting tools at the international level and the improvement of transparency in the international market;

15. *Recalls* the agreement to keep under regular review, by the Ministerial Conference and appropriate organs of the World Trade Organization, the impact of the results of the Uruguay Round on the least developed countries as well as on the net food-importing developing countries, with a view to fostering positive measures to enable them to achieve their development objectives, and in this regard calls for the implementation of the Marrakech Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries;

16. *Encourages* developed countries that have not already done so and developing countries declaring themselves in a position to do so to take steps

towards the goal of realizing timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with the Hong Kong Ministerial Declaration adopted by the World Trade Organization in 2005;[14]

17. *Calls upon* international financial institutions and development banks to assist developing countries, in particular commodity-dependent developing countries, in managing the effects of excessive price volatility;

18. *Reaffirms* that every State has and shall freely exercise full permanent sovereignty over all its wealth, natural resources and economic activities;

19. *Recognizes* the importance of increasing efficiency, effectiveness and transparency in the management of public and private sector revenues in developed and developing countries derived from all commodities and commodities-related industries, including final processed goods, in support of development;

20. *Also recognizes* the important contributions of the Common Fund for Commodities and other international commodities organizations, and encourages them, in cooperation with the International Trade Centre, the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization and other relevant bodies, to continue to strengthen coordination among themselves and study ways to establish greater stability in the commodities market as well as to enhance activities in developing countries to improve access to markets and reliability of supply, enhancing diversification and addition of value, improving the competitiveness of commodities, strengthening the market chain, improving market structures, broadening the export base and ensuring the effective participation of all stakeholders;

21. *Stresses* that the United Nations Conference on Trade and Development and its partners, in the spirit of inter-agency cooperation and multi-stakeholder partnerships and within their respective mandates, should continue to engage actively in collaborative research and analysis of the commodity problematique and related capacity and consensus-building activities with a view to providing regular analysis and policy advice relevant to the sustainable development of commodity-dependent developing countries, particularly low-income countries;

22. *Underlines* the urgent need for the provision of, and access to, trade finance to commodity-dependent developing countries, given the tightened access to all types of credit and noting debt sustainability;

23. *Stresses* the importance of the continuing substantive consideration of the sub-item entitled "Commodities", and decides to include the sub-item in the provisional agenda of its sixty-eighth session, under the item entitled "Macroeconomic policy questions";

24. *Requests* the Secretary-General, in collaboration with the secretariat of the United Nations Conference on Trade and Development, to submit to the General Assembly at its sixty-eighth session a report presenting an updated assessment of commodity trends and prospects, ways to strengthen coordination among international commodities organizations and other relevant international organizations and the causes of excessive commodity price volatility.

[14] World Trade Organization, document WT/MIN(05)/DEC.